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UNITED FINANCIAL CASUALTY COMPANY

STATUTORY-BASIS FINANCIAL STATEMENTS

for the years ended December 31, 2008 & 2007

INDEX

PricewaterhouseCoopers

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Report of Independent Auditors

To the Board of Directors,
United Financial Casualty Company:

We have audited the accompanying statutory statements of admitted assets, liabilities and surplus of United Financial Casualty Company (the "Company") as of December 31, 2008 and 2007, and the related statutory statements of income and changes in surplus, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by the Ohio Department of Insurance, whose practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2008 and 2007, or the results of its operations or its cash flows for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of the Company as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 1.

PricewaterhouseCoopers LLP

May 18, 2009

UNITED FINANCIAL CASUALTY COMPANY

STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND SURPLUS - STATUTORY-BASIS

December 31,	2008	2007
ADMITTED ASSETS		
Bonds	$ 1,285,344,236	$ 1,018,526,593
Preferred stocks	70,421,200	117,548,691
Common stocks	57,668,242	217,574,019
Cash equivalents and short-term investments	1,643,564	357,390
Receivable for securities	141	825,660
Total cash and invested assets	1,415,077,383	1,354,832,353
Accrued investment income	13,815,378	15,618,782
Premiums and agents' balances receivable	266,795,825	291,837,388
Amounts recoverable from reinsurers	(173)	(2,172)
Net deferred tax asset	47,613,710	51,155,088
Receivable from affiliates	39,256,388	49,921,745
Other assets	493,230	637,867
Total admitted assets	$ 1,783,051,741	$ 1,764,001,051
LIABILITIES		
Losses	$ 646,920,974	$ 521,717,066
Reinsurance payable on paid losses	95,410,268	116,103,282
Loss adjustment expenses	134,204,059	118,564,330
Accrued commissions	407,026	994,408
Other expenses	156,413	434,126
Taxes, licenses and fees	5,072,600	9,522,842
Current Federal income taxes	12,364,393	8,081,561
Unearned premiums	506,465,649	542,620,819
Advance premiums	5,077,208	5,733,094
Ceded reinsurance payable	(9,764)	531
Amounts withheld for others	--	765
Drafts outstanding	20,864,520	18,986,971
Other liabilities	4,977,668	5,165,896
Total liabilities	1,431,911,014	1,347,925,691
SURPLUS		
Common stock, par value $23,500 per share; 128 shares authorized, issued and outstanding	3,008,000	3,008,000
Gross paid-in and contributed surplus	190,373,432	190,370,773
Unassigned surplus	157,759,295	222,696,587
Total surplus	351,140,727	416,075,360
Total liabilities and surplus	$ 1,783,051,741	$ 1,764,001,051

The accompanying notes are an integral part of these statutory-basis financial statements.

UNITED FINANCIAL CASUALTY COMPANY

STATEMENTS OF INCOME AND CHANGES IN SURPLUS - STATUTORY-BASIS

For the years ended December 31,	2008	2007
STATEMENTS OF INCOME		
Direct premiums written	$ 627,886,676	$ 698,917,555
Net premiums written	$ 1,185,796,300	$ 1,260,574,253
Premiums earned	$ 1,221,951,471	$ 1,289,473,122
Losses incurred	742,243,141	782,105,259
Loss expenses incurred	143,103,916	140,040,131
Other underwriting expenses incurred	247,340,440	256,276,016
Total underwriting deductions	1,132,687,497	1,178,421,406
Net underwriting gain	89,263,974	111,051,716
Net investment gain (loss) (net of capital gains tax (benefit) of ($8,260,938) and $522,585, respectively)	(42,939,714)	55,932,990
Net loss from agents' or premium balances charged off	(9,435,864)	(8,072,186)
Finance and service charge revenue not included in premiums	6,044,841	6,470,652
Miscellaneous income	6,018,184	8,534,144
Total other income	2,627,161	6,932,610
Income before Federal income taxes	48,951,421	173,917,316
Federal income taxes incurred	49,929,826	55,525,186
Net income (loss)	$ (978,405)	$ 118,392,130
STATEMENTS OF CHANGES IN SURPLUS		
Surplus at beginning of year	$ 416,075,360	$ 426,371,423
Net income (loss)	(978,405)	118,392,130
Change in net unrealized capital gains (losses)	(3,961,708)	3,551,406
Change in net deferred income tax	34,036,717	1,465,995
Change in non-admitted assets	(49,129,534)	3,054,812
Surplus paid-in (returned)	2,659	(39,760,406)
Dividend to stockholder	(45,000,000)	(97,000,000)
Other surplus	95,638	--
Decrease in surplus for the year	(64,934,633)	(10,296,063)
Surplus at end of year	$ 351,140,727	$ 416,075,360

The accompanying notes are an integral part of these statutory-basis financial statements.

UNITED FINANCIAL CASUALTY COMPANY

STATEMENTS OF CASH FLOW - STATUTORY-BASIS

For the years ended December 31,	2008	2007
CASH FROM (USED IN) OPERATIONS:		
Premiums collected net of reinsurance	$ 1,209,559,769	$ 1,287,093,998
Net investment income	86,910,034	72,586,274
Miscellaneous income	2,886,251	7,076,416
Gross cash from operations	1,299,356,054	1,366,756,688
Benefit and loss related payments	637,734,246	603,068,123
Commissions and expenses paid	380,101,964	374,329,938
Federal income taxes paid	37,386,056	70,690,209
Gross cash used in operations	1,055,222,266	1,048,088,270
Net cash from operations	244,133,788	318,668,418
CASH FROM (USED IN) INVESTMENTS:		
Proceeds from investments sold, matured or repaid:		
Bonds	589,661,289	806,163,210
Stocks	145,022,739	49,617,777
Miscellaneous proceeds	825,519	--
Total investment proceeds	735,509,547	855,780,987
Cost of investments acquired (long-term only):		
Bonds	894,923,090	916,921,911
Stocks	50,723,593	191,055,463
Miscellaneous applications	--	817,785
Total investments acquired	945,646,683	1,108,795,159
Net cash used in investments	(210,137,136)	(253,014,172)
CASH FROM (USED IN) FINANCING AND MISCELLANEOUS SOURCES:		
Cash provided (applied):		
Surplus paid-in (returned)	2,659	(39,760,406)
Dividend to stockholder	(45,000,000)	(97,000,000)
Other cash provided	12,286,863	70,979,058
Net cash used in financing and miscellaneous sources	(32,710,478)	(65,781,348)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS:		
Net change in cash equivalents and short-term investments	1,286,174	(127,102)
Beginning of year	357,390	484,492
End of year	$ 1,643,564	$ 357,390

The accompanying notes are an integral part
of these statutory-basis financial statements.

(1) REPORTING AND ACCOUNTING POLICIES

NATURE OF OPERATIONS -- United Financial Casualty Company (the "Company") is domiciled in Ohio and is 100% owned by Progressive Commercial Holdings, Inc. ("PCH"), a holding company incorporated in Delaware. PCH is a wholly owned subsidiary of The Progressive Corporation ("TPC"), a publicly traded holding company incorporated in Ohio. The Company was incorporated on June 13, 1984, and began writing business on August 10, 1984. The Company primarily writes commercial automobile insurance. Commercial automobile business consists primarily of liability and physical damage insurance for automobiles and trucks owned by small businesses, with the majority of customers insuring three or fewer vehicles. This business is written primarily through independent insurance agencies that represent the Company as well as brokerages in New York and California. In addition, the Company writes business directly online and over the phone. The Company also writes private passenger automobile liability and physical damage coverage directly in Maine.

The following is a description of the more significant risks facing the Company:

<u>Legal/Regulatory Risk</u> is the risk that the legal or regulatory environment in which the Company operates will change and create additional costs or expenses not anticipated by the Company in pricing its products. The Company tries to minimize the impact of this risk by continually monitoring the regulatory environment of the principal markets where it conducts its business and adjusting its underwriting policies and loss reserving practices, if necessary.

<u>Interest Rate Risk</u> includes the change in value resulting from movements in the underlying market rates of debt securities held. The distribution of duration and convexity (i.e., a measure of the speed at which the duration of a security is expected to change based on a rise or fall in interest rates) are monitored on a regular basis. The Company's exposure is managed by maintaining the portfolio's duration between 1.8 to 5 years.

<u>Credit Risk</u> is the risk that issuers of securities owned by the Company will default, or other parties, including reinsurers and policyholders, who owe the Company funds, will not pay. This risk is managed by maintaining a minimum average portfolio credit quality rating of A+, as defined by the National Association of Insurance Commissioners ("NAIC") Acceptable Ratings Organization ("ARO").

<u>Concentration Risk</u> is considered broadly to asset classes, including but not limited to common equities, residential and commercial mortgage securities, municipal bonds, and high-yield bonds. On an ongoing basis, management will adjust the Company's concentration exposure guidelines to reduce any sector concentrations. The Company's credit risk limits single issuer exposure; however, economic sector allocation is a key concentration risk.

<u>Prepayment and Extension Risk</u> includes the risk of early redemption of security principal that may need to be reinvested at less attractive rates or the risk that a security will not be redeemed when anticipated, and that a security held in the portfolio has a lower yield than a security that could be obtained by reinvesting the expected redemption principal. The different types of structured debt and preferred securities that may be held help minimize this risk.

<u>Liquidity Risk</u> is another risk factor that is monitored. Based on the volatility of the markets in general and the widening of credit spreads, management elected to reduce portfolio valuation risk and direct new investments primarily to U.S. Treasury and short-term securities in order to preserve capital and maintain the desired liquidity position. Another facet of liquidity risk involves the inability to sell securities due to a lack of buyers. The Company's overall portfolio remains very liquid and sufficient to meet capital requirements; however, beyond U.S. Treasury obligations, market liquidity remains highly variable and generally constrained. The short to intermediate duration of the portfolio provides an additional source of liquidity. In addition, cash from principal and dividend payments provide a recurring source of liquidity.

(1) **REPORTING AND ACCOUNTING POLICIES,** continued

STATUTORY ACCOUNTING PRESENTATION AND PRACTICES -- The accompanying statutory-basis financial statements of the Company were prepared on the basis of accounting practices prescribed or permitted by the Ohio Department of Insurance ("DOI"). The Ohio DOI requires insurance companies domiciled in the state of Ohio to prepare their statutory-basis financial statements in accordance with the NAIC's *Accounting Practices and Procedures Manual* subject to any deviations prescribed or permitted by the Ohio DOI. No deviations from NAIC statutory accounting practices ("NAIC SAP") were used in preparing these statutory-basis financial statements. NAIC SAP differs from Generally Accepted Accounting Principles ("GAAP") as follows: (a) acquisition costs, such as agents' commissions, premium taxes, and other policy initiation costs, are charged to current operations as incurred rather than capitalized and amortized on a pro-rata basis over the period in which the related premiums are earned; (b) certain assets, such as premiums and agents' balances receivable and accrued investment income over ninety days due, are charged directly to statutory surplus; (c) under GAAP, bonds are reported at market value; such accounting treatment is not recognized under NAIC SAP; (d) the statements of cash flow are presented in the required statutory format, which differs from the format specified by GAAP, which requires the classification of cash flows as operating, investing, or financing activities and a reconciliation of net income to net cash flows from operating activities; (e) under GAAP, amounts related to ceded reinsurance reserves are required to be shown gross on the balance sheet; such amounts are reported on a net basis under NAIC SAP; and (f) recognition of statutory net deferred tax assets ("DTAs") is limited under the provisions of Statement of Statutory Accounting Principles ("SSAP") No. 10, Income Taxes; the DTAs are not subject to a valuation allowance. The remaining net DTA is non-admitted and charged directly to statutory surplus; additionally, the change in DTA between periods is recorded through surplus.

ESTIMATES -- The Company is required to make estimates and assumptions when preparing its financial statements and accompanying notes in conformity with NAIC SAP. Actual results may differ from those estimates. Material estimates that are susceptible to significant changes in the near term include the loss and loss adjustment expense ("LAE") reserves and adjustment to realized losses for other than temporary impairment.

INSURANCE PREMIUMS AND RECEIVABLES -- Insurance premiums written are being earned into income on a pro-rata basis over the period of risk, based on a daily earnings convention. Unearned premiums are established to cover the unexpired portion of premiums written.

The Company offers a variety of payment plans to meet individual customer needs. Generally, insurance premiums are collected in advance of providing risk coverage, minimizing the Company's exposure to credit risk. The Company routinely assesses the collectibility of premiums and agents' balances receivable and records a bad debt reserve for amounts exceeding the non-admitted balance that the Company believes are uncollectible.

OTHER INCOME AND EXPENSE -- Other income includes finance and service charges collected on premiums receivable. This revenue includes finance and service charges assumed under the quota-share reinsurance agreements with several of the Company's non-pooled insurance company affiliates (see Note 8). The assumed finance and service charges are reported as miscellaneous income in the combined statutory-basis statements of income.

INVESTMENTS -- Cash and cash equivalents include bank accounts and certificates of deposit as well as short-term investments with original maturities of three months or less that are reported at amortized cost, which approximates market value.

Short-term investments include securities acquired within one year of maturity except for those with original maturities of three months or less (see cash and cash equivalents above) and are reported at amortized cost, which approximates market value.

(1) **REPORTING AND ACCOUNTING POLICIES,** continued

Investment grade bond valuations are based on NAIC designations or NAIC ARO designations and are reported at amortized cost using the scientific method, which closely approximates the effective interest method. Non-investment grade bond valuations are also based on NAIC designations or NAIC ARO designations and are reported at the lower of amortized cost or fair market value. The difference between the original cost and redemption value of these securities is recognized over the lives of the respective issues and included in net investment gain.

Common stocks, other than investments in stocks of subsidiaries and affiliates, are reported at fair market values based on active market closing quotations from a regulated exchange. Changes in the fair market values of these securities are reflected directly as unrealized gains or losses in statutory surplus, net of deferred income taxes.

Non-redeemable preferred stocks are reported at fair market value. Changes in the fair market value of these securities are reflected directly as unrealized gains or losses in statutory surplus, net of deferred income taxes. Investment grade redeemable preferred stocks are reported at amortized cost, while non-investment grade redeemable preferred stocks are reported at the lower of amortized cost or fair market value. The difference between the original cost and redemption value of these securities is recognized over the lives of the respective issues using the scientific method, which closely approximates the effective interest method, and is included in net investment gain.

The fair market values reported are derived from independent and observable market input evaluations provided by Interactive Data Corporation, Standard and Poors, Trepp, L.L.C., independent broker quotations, or active market closing quotations from a regulated exchange. In very rare cases, if none of the aforementioned primary sources are available, matrix pricing using the reporting entity's own market based assumptions may be utilized. The approved methods for computation of fair market value are prescribed in Part Six of the Securities Valuation Office *Purposes and Procedures Manual*.

Collateralized securities are stated at amortized cost as determined by the estimated value of future cash flows. Prepayment assumptions for collateralized securities are obtained from available market data, broker dealer, and/or internal estimates. These assumptions are consistent with current interest rate and economic trends. Significant changes in estimated cash flows from the original purchase assumptions are accounted for as prescribed by SSAP No. 43, Loan-backed and Structured Securities.

The Company's management routinely monitors the investment portfolio for pricing changes that might indicate potential impairments, and performs detailed reviews of securities with unrealized losses based on predetermined guidelines. In such cases, changes in fair market value are evaluated to determine the extent to which such changes are attributable to (i) fundamental factors specific to the issuer, such as financial conditions, business prospects or other factors, or (ii) market-related factors, such as interest rates or equity market declines (e.g., negative return at either a sector index level or at the broader market level).

Fixed-income securities and common equities with declines attributable to issuer-specific fundamentals are reviewed to identify all available evidence, circumstances and influences to estimate the potential for, and timing of, recovery of the investment's impairment. An other-than-temporary impairment loss is deemed to have occurred when the potential for recovery does not satisfy the criteria set forth in the current accounting guidance.

(1) **REPORTING AND ACCOUNTING POLICIES,** continued

For fixed-maturity investments with unrealized losses due to market or sector-related declines, the losses are not deemed to qualify as other-than-temporary when management has the intent and ability to hold the investment for the periods of time that are anticipated to be necessary to recover a substantial portion of the investment's impairment and collect the interest and dividend obligations. In general, the Company's policy for equity securities with market or sector-related declines is to recognize impairment losses on individual securities with losses that can not be reasonably expected to recover in the near term under historical conditions the earlier of (i) when management can objectively determine that the loss is other-than-temporary or (ii) when the security has been in such a loss position for three consecutive quarters.

When a security in the investment portfolio has an unrealized loss in fair market value that is deemed to be other than temporary, the book value of such security is reduced to its current fair market value, recognizing the decline as a realized loss in the statutory-basis statements of income. All other unrealized gains or losses are reflected in statutory surplus.

The Company owns 100% of the common stock of Progressive Commercial Casualty Company ("Progressive Commercial"), an insurance affiliate domiciled in Ohio. In accordance with admissibility requirements of Statement of Statutory Accounting Principles No. 97 – Investments in Subsidiary, Controlled, and Affiliated Entities, the Company non-admitted its investment in Progressive Commercial in 2008 as Progressive Commercial was granted an exemption from the annual statutory audit requirement by the Ohio Department of Insurance as a result of not yet commencing to write business.

The Company may enter into reverse repurchase agreements in which it borrows cash by providing certain underlying securities as collateral for the arrangement. The cash borrowed is invested in cash equivalents, and an offsetting liability is established. The cash equivalent investment maturities and the term of the borrowing arrangement on the collateralized securities match, eliminating duration risk exposure to the Company. There were no open reverse repurchase agreements as of December 31, 2008 and 2007.

Realized gains and losses on sales of securities are computed based on the first-in, first-out method.

LOSS AND LAE RESERVES -- Loss reserves represent the estimated liability on claims reported to the Company, plus reserves for losses incurred but not yet reported ("IBNR"). These estimates are reported net of amounts recoverable from salvage and subrogation of $35,439,000 and $37,896,000 at December 31, 2008 and 2007, respectively. LAE reserves represent the estimated expenses required to settle reported claims and IBNR losses. Such loss and LAE reserves could be susceptible to significant change in the near term. The Company reviews a large majority of its reserves by product/state combination on a quarterly time frame, with the remaining reserves generally reviewed on a semiannual basis. A change in the Company's scheduled reviews of a particular subset of the business depends on the size of the subset or emerging issues relating to the product or state (see Note 10).

CAPITALIZATION OF ASSETS -- Prepaid assets above a $100,000 threshold are capitalized. Under certain circumstances, the Company may decide to establish a prepaid asset for amounts less than the threshold.

STATEMENTS OF CASH FLOW -- For the purpose of the statements of cash flow, short-term investments include highly liquid investments that are readily convertible to cash.

(2) **INVESTMENTS**

The components of net investment gain are:

	2008	2007
Bonds	$ 53,478,256	$ 48,505,072
Equity securities-unaffiliated	11,690,695	6,803,457
Cash, cash equivalents, and short-term investments	222,322	188,474
Investment income	65,391,273	55,497,003
Investment expenses (see Note 4)	(425,333)	(528,569)
Net investment income earned	64,965,940	54,968,434
Gross realized gains		
Bonds	22,810,081	9,198,844
Equity securities-unaffiliated	8,245,395	1,391,256
Gross realized losses		
Bonds	(38,763,711)	(1,745,385)
Equity securities-unaffiliated	(108,458,357)	(7,357,574)
Net realized gain (loss) on security sales	(116,166,592)	1,487,141
Capital gains (tax) benefit	8,260,938	(522,585)
Net investment gain (loss)	$ (42,939,714)	$ 55,932,990

Proceeds from sales of bonds and stocks were $661,232,737 and $805,861,812 in 2008 and 2007, respectively. At December 31, 2008, securities at the amortized cost of $4,637,432 were on deposit with various regulatory agencies to meet statutory requirements.

The composition of the investment portfolio at December 31 is as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	NAIC Statement Value
2008					
Bonds:					
U.S. Government obligations	$ 351,787,633	$ 10,047,149	$ --	$ 361,834,782	$ 351,787,633
States, territories, and possessions	81,426,015	2,594,731	--	84,020,746	81,426,015
Political subdivisions of states, territories, and possessions	886,348	30,527	--	916,875	886,348
Special revenue and special assessment	339,895,212	1,902,603	(20,466,584)	321,331,231	339,895,212
Industrial and miscellaneous	513,428,517	804,041	(63,673,974)	450,558,584	511,349,028
Total bonds	$ 1,287,423,725	$ 15,379,051	$ (84,140,558)	$ 1,218,662,218	$ 1,285,344,236
Preferred stocks	61,888,700	9,163,032	(180,000)	70,871,732	70,421,200
Common stocks	69,114,683	1,703,263	(13,149,704)	57,668,242	57,668,242
Total long-term assets	$ 1,418,427,108	$ 26,245,346	$ (97,470,262)	$ 1,347,202,192	$ 1,413,433,678
2007					
Bonds:					
U.S. Government obligations	$ 50,556,715	$ 2,170,537	$ --	$ 52,727,252	$ 50,556,715
States, territories, and possessions	84,821,936	1,222,355	--	86,044,291	84,821,936
Political subdivisions of states, territories, and possessions	899,541	2,156	--	901,697	899,541
Special revenue and special assessment	386,417,954	2,943,251	(423,876)	388,937,329	386,417,954
Industrial and miscellaneous	495,871,638	6,216,837	(5,088,791)	496,999,684	495,830,447
Total bonds	$ 1,018,567,784	$ 12,555,136	$ (5,512,667)	$ 1,025,610,253	$ 1,018,526,593
Preferred stocks	130,266,445	806,881	(12,717,753)	118,355,573	117,548,691
Common stocks	197,207,567	34,870,629	(14,504,177)	217,574,019	217,574,019
Total long-term assets	$ 1,346,041,796	$ 48,232,646	$ (32,734,597)	$ 1,361,539,845	$ 1,353,649,303

(2) **INVESTMENTS,** continued

The amortized cost and estimated fair market value of debt securities, including short-term investments, at December 31, 2008, by contractual maturity, are shown below. Contractual maturities may differ from stated maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Collateralized securities are reported separately since they do not have single maturity dates.

	Amortized Cost	Fair Value
Less than one year	$ 70,154,490	$ 65,687,122
One to five years	666,380,122	662,580,729
Five to ten years	152,339,624	148,537,769
Over ten years	2,230,360	2,160,020
Subtotal	891,104,596	878,965,640
Collateralized securities	397,962,693	341,340,142
Total	$ 1,289,067,289	$ 1,220,305,782

The components of gross unrealized losses as of December 31 were as follows:

		Unrealized Losses		
	Total Market Value	Total	Less than 12 Months	12 Months or Greater
2008				
Available for sale:				
Bonds	$ 625,143,366	$ 84,140,558	$ 67,900,065	$ 16,240,493
Preferred stocks	6,480,000	180,000	180,000	--
Common stocks	41,844,146	13,149,704	13,149,069	635
Total	$ 673,467,512	$ 97,470,262	$ 81,229,134	$ 16,241,128
2007				
Available for sale:				
Bonds	$ 217,489,386	$ 5,512,667	$ 5,020,668	$ 491,999
Preferred stocks	107,966,759	12,717,753	12,717,753	--
Common stocks	60,732,522	14,504,177	5,415,409	9,088,768
Total	$ 386,188,667	$ 32,734,597	$ 23,153,830	$ 9,580,767

As of December 31, 2008 and 2007, the market value for securities in an unrealized loss position for 12 months or greater was $112,284,576 and $127,239,015, respectively. The Company's management determined that none of these securities represented in the table above met the criteria for other-than-temporary impairment write-downs. Management will continue to closely monitor these securities to determine if a future impairment write-down is necessary. The Company has the intent and ability to hold these investments until recovery, and will do so, as long as the securities continue to be consistent with management's investment strategy. The Company will retain the common stocks to track the Russell 1000 index as long as the portfolio and index correlation remain similar. If management's strategy were to change and these securities were impaired, a write-down in accordance with the stated policy would be recognized.

(2) **INVESTMENTS,** continued

The write-down activity reported as a component of realized losses for the years ended December 31 was as follows:

	Write-downs on Securities		
	Total	Subsequently Sold	Held at Period End
2008			
Bonds	$ (37,594,698)	$ --	$ (37,594,698)
Preferreds	(59,493,781)	--	(59,493,781)
Equities	(13,151,460)	(738,240)	(12,413,220)
Total portfolio	$ (110,239,939)	$ (738,240)	$ (109,501,699)
2007			
Bonds	$ --	$ --	$ --
Preferreds	--	--	--
Equities	(458,185)	(458,185)	--
Total portfolio	$ (458,185)	$ (458,185)	$ --

(3) **FEDERAL INCOME TAXES**

The Company's Federal income tax return is consolidated with TPC and all its wholly owned United States subsidiaries (the "Group"). The method of allocation between the companies is subject to written agreement and is jointly approved by an officer of TPC and the Company. The allocation is based upon separate tax return calculations with current credit for net losses or other items utilized in the consolidated tax return. Intercompany tax balances are settled quarterly.

The amount of Federal income taxes incurred and available for recoupment by the Company in the event of future net losses is equal to approximately $41,470,391 for the current tax year and $57,322,868 for the first preceding year. The amounts that can be recouped may be subject to the alternative minimum tax rules, and therefore may be limited.

The components of the net DTA are as follows:

Description	December 31, 2008	December 31, 2007
Gross deferred tax assets	$ 94,387,528	$ 66,168,894
Gross deferred tax liabilities	5,924,462	14,211,793
Net deferred tax assets	88,463,066	51,957,101
Non-admitted deferred tax assets	40,849,356	802,013
Admitted deferred tax assets	$ 47,613,710	$ 51,155,088
Increase (decrease) in non-admitted deferred tax assets	$ 40,047,343	$ (3,967,563)

The significant components of the provision for Federal income tax are as follows:

Description	2008	2007
Current income tax expense (benefit)	$ 41,470,391	$ 57,028,986
Prior year underaccrual (overaccrual)	198,497	(981,215)
Current income tax incurred including tax on realized gains (losses)	41,668,888	56,047,771
Income tax expense (benefit) on realized gains (losses)	(8,260,938)	522,585
Current income taxes incurred	$ 49,929,826	$ 55,525,186

(3) **FEDERAL INCOME TAXES,** continued

The significant components of the DTAs and deferred tax liabilities ("DTLs") are as follows:

DTAs Resulting from Statutory/Tax Difference in	December 31, 2008	December 31, 2007	Change
Unpaid losses and LAE	$ 20,842,861	$ 16,848,585	$ 3,994,276
Unearned premiums	35,642,829	38,197,977	(2,555,148)
Unrealized capital losses	3,503,635	9,542,092	(6,038,457)
Non-admitted assets	1,385,199	1,135,976	249,223
Non-deductible accruals	416,485	444,264	(27,779)
Investment writedowns	32,527,897	--	32,527,897
Intercompany deferred losses	68,622	--	68,622
Gross deferred tax assets	$ 94,387,528	$ 66,168,894	$ 28,218,634
Non-admitted deferred tax assets	$ 40,849,356	$ 802,013	$ 40,047,343

DTLs Resulting from Statutory/Tax Difference in	December 31, 2008	December 31, 2007	Change
Bond market discount	$ 551,938	$ 1,342,235	$ (790,297)
Unrealized capital gains	3,697,015	12,204,720	(8,507,705)
Depreciable assets	552,739	--	552,739
Salvage and subrogation	632,692	349,782	282,910
Prepaid expenses	152,664	170,547	(17,883)
Intercompany deferred gains	199,150	--	199,150
Other	138,264	144,509	(6,245)
Gross deferred tax liabilities	$ 5,924,462	$ 14,211,793	$ (8,287,331)

The change in net deferred income tax is comprised of the following (this analysis excludes non-admitted assets; the change in non-admitted assets is reported separately from the change in net deferred income tax in the statutory-basis statements of changes in surplus):

Description	December 31, 2008	December 31, 2007	Change
Total deferred tax assets	$ 94,387,528	$ 66,168,894	$ 28,218,634
Total deferred tax liabilities	5,924,462	14,211,793	(8,287,331)
Net deferred tax asset (liability)	$ 88,463,066	$ 51,957,101	36,505,965
Tax effect of unrealized gains (losses)			(2,469,248)
Change in net deferred income tax			$ 34,036,717

(3) **FEDERAL INCOME TAXES,** continued

The provision for Federal income tax in the accompanying statutory-basis statements of income differs from the statutory rate. The significant statutory to tax adjustments as of December 31, 2008, are as follows:

Description	Amount	Tax Effect at 35%
Provision computed at statutory rate	$ 14,241,669	35 %
Exempt interest income	(6,276,273)	(15)
Dividends received deduction	(673,236)	(2)
Prior year underaccrual (overaccrual)	587,922	1
Other	1,312	--
Total	$ 7,881,394	19 %
Federal and foreign income taxes incurred	$ 41,668,888	102 %
Change in net deferred income tax	(34,036,717)	(84)
Change in deferred income tax from non-admitted assets	249,223	1
Total statutory income taxes	$ 7,881,394	19 %

The Company had no liability for unrecognized tax benefits at December 31, 2008 or December 31, 2007.

The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as a component of Federal income tax expense. The amount of interest and penalties included in Federal income tax expense during 2008 and 2007 is zero. The amount of accrued interest and penalties related to unrecognized tax benefits at December 31, 2008 and December 31, 2007 is zero.

The statute of limitations remains open with respect to the Group’s Federal income tax returns for the tax years 2004 and beyond. All audit fieldwork has been completed and all adjustments have been agreed upon for tax years 2004-2006. One open issue was taken to the Internal Revenue Service Office of Appeals (“Appeals”). Management received an Appeals settlement, which includes the 2007 tax year, on this issue, but is still awaiting the approval of the United States Congress Joint Committee on Taxation (“Joint Committee”).

The Group has entered into the Compliance Assurance Program (“CAP”) for the 2007 and 2008 tax years. Under the CAP, the Internal Revenue Service begins its examination process for the tax year before the tax return is filed, by examining significant transactions and events as they occur. The goal of the CAP is to expedite the exam process and to reduce the level of uncertainty regarding a taxpayer’s filing position.

The 2007 CAP audit has been completed and the Group’s tax return has been accepted as filed, pending the Joint Committee’s approval of the Appeals settlement, discussed above. Fieldwork on the 2008 CAP audit began during the fourth quarter of 2008. No issues have been raised to date.

(4) **INFORMATION CONCERNING PARENT AND AFFILIATES**

The Company paid ordinary cash dividends of $45,000,000 and $97,000,000 to PCH on December 26, 2008 and October 1, 2007, respectively. The Company returned $53,000,000 of capital to PCH in October, 2007. The return of capital was approved by the Ohio DOI. (See Note 13).

(4) **INFORMATION CONCERNING PARENT AND AFFILIATES,** continued

The Company received a $13,200,000 capital contribution from PCH that was utilized to capitalize Progressive Commercial in January, 2007. In August, 2008, Progressive Commercial returned $6,000,000 in capital to the Company which was recorded as a reduction in the Company's investment in Progressive Commercial. This transaction had no impact on the Company's gross paid-in and contributed surplus.

The Company reported a $39,256,388 and $49,921,745 receivable from affiliates at December 31, 2008 and 2007, respectively. These balances are due to the timing of security purchases and cash collections and disbursements under the Group's centralized cash management system and the reinsurance and management agreements in which the Company participates. The Company reported a $12,364,393 and $8,081,561 current Federal income tax payable at December 31, 2008 and 2007, respectively. These balances are due to TPC for the Company's Federal income tax liability (see Note 3). The intercompany balances are settled quarterly. The Company earned intercompany interest income on the receivable from/payable to affiliates balance throughout the year of $985,664 and $3,783,991 in 2008 and 2007, respectively, which is reflected in miscellaneous income in the statutory-basis statements of income.

The Company participates in management and service agreements with several of its insurance affiliates and a non-insurance affiliate (see Note 13). Under the terms of the agreements, the affiliates are provided underwriting and loss adjustment services for business produced in exchange for a management fee based on their use of services.

The Company participates in joint management services agreements with several of its insurance affiliates. Under the terms of the agreements, the Company provides these affiliates with underwriting and loss adjustment services for specific business produced, and they provide the Company with similar services for other specific business produced. In exchange for these services, the companies charge management fees based on each company's use of the other's services.

The Company participates in an investment services agreement with Progressive Capital Management Corp., a non-insurance affiliate. Under the terms of the agreement, the Company is provided investment and capital management services in exchange for an investment management fee based on its use of services.

All intercompany agreements are approved by the participating insurance companies' states of domicile when established. Upon redomestication, intercompany agreements are not required to be approved by the new state of domicile.

(5) **EMPLOYEE BENEFIT PLANS**

Effective January 1, 2008, the Company transferred all of its employees to various insurance and non-insurance affiliates.

(6) **STATUTORY SURPLUS**

SURPLUS -- At December 31, 2008, $10,000,000 of statutory surplus represents net admitted assets of the Company that are not transferable in the form of dividends, loans, or advances. The Company is licensed in states other than its state of domicile, which may have higher minimum statutory surplus requirements. Generally, the net admitted assets of an insurance company available for transfer are restricted by state law and are limited to those net admitted assets which exceed minimum statutory capital requirements.

(6) **STATUTORY SURPLUS,** continued

DIVIDEND RESTRICTIONS -- The maximum amount of dividends the Company can pay to PCH in 2009 without prior regulatory approval is limited by insurance laws in Ohio. Based on the dividend laws currently in effect, the Company may pay dividends of $35,114,073 in 2009 without prior approval from the Ohio DOI.

Within the limitations described above, there are no additional restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.

CHANGES IN UNASSIGNED FUNDS (SURPLUS) -- As of December 31, 2008, the portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

Description	Cumulative Increase (Decrease) in Surplus
Unrealized gain (loss)	$ 1,723,055
Non-admitted assets	(53,177,609)
Provision for reinsurance	--
Total	$ (51,454,554)

The unrealized gain is gross of the applicable deferred tax liability of $193,380.

RISK-BASED CAPITAL ("RBC") -- The Company, as part of its statutory filings, is required to disclose its RBC requirements. The NAIC developed an RBC program to enable regulators to take appropriate and timely regulatory actions relating to insurers that show signs of weak or deteriorating financial conditions. RBC is a series of dynamic surplus-related formulas, which contain a variety of factors that are applied to financial balances based on a degree of certain risks, such as asset, credit, and underwriting risks. As of December 31, 2008, the Company is in compliance with the minimum RBC levels.

(7) **CONTINGENCIES**

GUARANTY FUND AND OTHER ASSESSMENTS -- The Company is subject to state guaranty fund and other assessments by the states in which it writes business. State guaranty fund assessments are accrued at the time of any known insolvencies. Other assessments are accrued either at the time of assessment or at the time the premiums are written. These accruals are based on information received from the states in which the Company writes business and may change due to many factors including the Company's share of the ultimate cost of current insolvencies. As of December 31, 2008 and 2007, the Company's estimated liability for state guaranty fund and other assessments was not material.

ALL OTHER CONTINGENCIES -- The Company is named as defendant in various lawsuits arising out of its insurance operations. All legal actions relating to claims made under insurance policies are considered by the Company in establishing its loss and LAE reserves. The Company also has potential exposure relating to lawsuits due to its participation in management agreements for which it is allocated litigation expenses (see Note 4).

As of December 31, 2008, there was a putative class action lawsuit challenging the Company's use of certain automated database vendors or software to assist in the adjustment of bodily injury claims. Plaintiffs allege that these databases or software systematically undervalue the claims. The Company does not consider a loss from this case to be probable and is unable to estimate a range of loss, if any, at this time.

(7) **CONTINGENCIES,** continued

As of December 31, 2008, there were five class action lawsuits challenging certain aspects of the Company's use of credit information and compliance with notice requirements under the federal Fair Credit Reporting Act. In 2004, the Company entered into a settlement agreement to resolve these cases and had received preliminary court approval of the settlement. In February 2005, the Company was advised that the court denied final approval of the proposed settlement. In 2006, an amended settlement received final trial court approval. After objecting class members filed an appeal, the Court of Appeals affirmed the trial court's decision to approve the settlement, which is currently being administered.

(8) **REINSURANCE**

The Company's ceded reinsurance agreements are in run-off. The Company's affiliated assumed reinsurance transactions are a result of the 90% quota-share reinsurance agreements with several insurance affiliates. Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk to minimize its exposure to significant losses from reinsurer insolvencies.

A summary of reinsurance activity follows:

	Direct	Reinsurance Assumed From Affiliates	Reinsurance Ceded to Affiliates	Reinsurance Ceded to Non-Affiliates	Net
2008					
Premiums written	$ 627,886,676	$ 557,897,014	$ --	$ (12,610)	$ 1,185,796,300
Premiums earned	660,882,451	561,056,410	--	(12,610)	1,221,951,471
Loss and LAE incurred	475,125,417	410,147,790	(29)	(73,821)	885,347,057
Other underwriting expenses incurred	140,461,905	106,875,911	243	(2,867)	247,340,440
Finance and service charge revenue	6,044,841	4,927,737	--	--	10,972,578
Unearned premiums	274,718,530	231,747,119	--	--	506,465,649
Loss and LAE reserves	447,176,659	333,957,649	--	9,275	781,125,033
2007					
Premiums written	$ 698,917,555	$ 561,664,402	$ --	$ 7,704	$ 1,260,574,253
Premiums earned	706,078,267	583,402,559	--	7,704	1,289,473,122
Loss and LAE incurred	472,031,705	450,429,870	929	315,256	922,145,390
Other underwriting expenses incurred	149,354,500	106,914,388	(1,237)	(5,891)	256,276,016
Finance and service charge revenue	6,470,652	4,693,331	--	--	11,163,983
Unearned premiums	307,714,304	234,906,515	--	--	542,620,819
Loss and LAE reserves	319,465,960	320,833,155	--	17,719	640,281,396

Net unsecured amounts recoverable from reinsurers were $18,861 and $15,016 from non-affiliates in 2008 and 2007, respectively.

(9) **RETROSPECTIVELY RATED CONTRACTS**

The Company's only retrospectively rated contract for its auto rental insurance business was cancelled and is in run-off effective April 5, 2002. The Company calculates accrued retrospective premium for each policy period based on inception-to-date incurred losses and defense and cost containment expense grossed up for certain adjusting and other LAE and premium tax reimbursement factors as stipulated in the contracts. The difference between the inception-to-date retrospective premium and the inception-to-date basic premium that has been paid is accrued as a retrospective premium adjustment. At December 31, 2008, the amount remaining on the contract is not considered material to the Company.

(9) RETROSPECTIVELY RATED CONTRACTS, continued

For the years ended December 31, 2008 and 2007, the amount of accrued retrospective premiums not offset by retrospective return premiums, other liabilities to the same party (other than loss and LAE reserves), or collateral as permitted by SSAP No. 66, Retrospectively Rated Contracts, that has been non-admitted based on the quality rating of the insured is not considered material to the Company.

(10) LOSS AND LAE RESERVES (all amounts in 000's)

A summary of loss and LAE reserve activity follows:

	2008	2007
Net balance at January 1	$ 640,281	$ 448,371
Incurred related to:		
Current year	874,696	864,358
Prior years	10,651	57,787
Total incurred	885,347	922,145
Paid related to:		
Current year	459,580	475,394
Prior years	284,923	254,841
Total paid	744,503	730,235
Net balance at December 31	$ 781,125	$ 640,281

Incurred losses and LAE attributable to insured events of prior years increased by $10,651 in 2008 which is approximately 1.7% of the total prior year net unpaid losses and LAE of $640,281. The increase is the result of unfavorable loss and defense and cost containment ("DCC") development of $8,393 and unfavorable development for the adjusting and other expense ("AOE") reserves of $2,258. Commercial Auto Liability's total unfavorable development was $11,327 for loss and DCC and $2,178 for AOE. Private Passenger Automobile Liability loss and DCC development was unfavorable by $2,112 which was offset by favorable development of $570 for Other Liability – Occurrence, $1,356 for Special Property, and $3,121 for Physical Damage. This prior accident year development is a result of claim settlements during the current year and re-estimation of unpaid losses and LAE due to the ongoing analysis of recent loss development trends.

The Company is currently writing insurance business throughout the United States, which could expose it to natural catastrophes. Although the occurrence of a major catastrophe could have a significant impact on short-term operating results, the Company believes such an event would not be so material as to disrupt the overall normal operations of the Company.

(11) FAIR VALUE OF FINANCIAL INSTRUMENTS

The statement values reported in the balance sheet for short-term investments approximate the fair values. Fair values of all other securities are based on quoted market prices or dealer quotes.

(11) **FAIR VALUE OF FINANCIAL INSTRUMENTS,** continued

The fair values and statement values of the Company's financial instruments at December 31 are as follows:

	2008		2007	
	Fair Value	Statement Value	Fair Value	Statement Value
Bonds	$ 1,218,662,218	$ 1,285,344,236	$ 1,025,610,253	$ 1,018,526,593
Common stock	57,668,242	57,668,242	217,574,019	217,574,019
Preferred stock	70,871,732	70,421,200	118,355,573	117,548,691
Cash equivalents	1,600,000	1,600,000	--	--
Short-term investments	43,564	43,564	357,390	357,390
Total	$ 1,348,845,756	$ 1,415,077,242	$ 1,361,897,235	$ 1,354,006,693

In accordance with the provisions of Statement of Financial Accounting Standards 157, "Fair Value Measurements", the Company's management has categorized its financial instruments into a fair value hierarchy of three levels, as follows:

Level 1 -- Inputs are unadjusted quoted prices in active markets for identical instruments at the measurement date.

Level 2 -- Inputs (other than quoted prices included within Level 1) are observable for the instrument either directly or indirectly. This includes: (i) quoted prices for similar instruments in active markets, (ii) quoted prices for identical or similar instruments in markets that are not active, (iii) inputs other than quoted prices that are observable for the instruments, and (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 -- Inputs that are unobservable. Unobservable inputs reflect the reporting entity's subjective evaluation about the assumptions that market participants would use in pricing the financial instrument (e.g., certain structured securities and privately held investments).

Certain securities are carried at fair value in the statutory financial statements. Other securities are periodically measured at fair value, such as when impaired, or for certain bonds which are carried at the lower of amortized cost or fair value.

Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at December 31, 2008			
	Total	Level 1	Level 2	Level 3
Stocks – Unaffiliated preferred	$ 58,351,450	$ --	$ 58,351,450	$ --
Stocks – Unaffiliated common	57,668,242	57,668,242	--	--
Total	$ 116,019,692	$ 57,668,242	$ 58,351,450	$ --

Assets measured at fair value on a nonrecurring basis are summarized below:

	Fair Value Measurements at December 31, 2008			
	Total	Level 1	Level 2	Level 3
Bonds	$ 26,290,816	$ --	$ 26,290,816	$ --
Stocks – unaffiliated preferred	2,250,000	--	2,250,000	--
Total	$ 28,540,816	$ --	$ 28,540,816	$ --

(11) **FAIR VALUE OF FINANCIAL INSTRUMENTS,** continued

The Company's portfolio valuations that are classified as either Level 1 or Level 2 are priced exclusively by external sources including: pricing vendors, dealers/market makers, and exchange quoted prices. With limited exceptions, any Level 3 securities would also be priced externally; however, due to several factors (e.g., nature of the securities, level of activity, lack of similar securities trading to obtain observable market level inputs), management feels these valuations are more subjective in nature. Certain private equity investments and fixed-income investments included in the Level 3 securities may be valued using external pricing supplemented by internal review and analysis.

Management reviewed independent documentation detailing the pricing techniques, models, and methodologies used by these pricing vendors and believes that their policies adequately consider market activity, either based on specific transactions for the issue valued or based on modeling of securities with similar credit quality, duration, yield, and structure that were recently transacted.

Management continues to monitor any changes or modifications to their process due to the recent market events. During 2008, and more specifically in the fourth quarter, management reviewed each sector for transaction volumes to determine if sufficient liquidity and activity existed. Management determined that while overall activity or liquidity is below historical averages, sufficient activity and liquidity existed to provide a source for market level valuations.

Management typically uses broker/dealers because the security issue they hold is not widely held or frequently traded and thus is not serviced by the pricing vendors. Management reviewed independent documentation detailing the pricing techniques, models, and methodologies used by broker/dealers and determined that they used the same pricing techniques as the external vendor pricing sources discussed above. The broker/dealers contain back office pricing desks, separate from the day-to-day traders that buy and sell the securities. This process creates uniformity in pricing when they quote externally to their various customers. The broker/dealer valuations are quoted in terms of spreads to various indices and the spreads are based off recent transactions adjusted for movements since the last trade or based off similar characteristic securities currently trading in the market. These quotes are not considered binding offers to transact. Management will, from time to time, obtain more than one broker quote for a security when it is determined to be necessary. In addition, from time to time, management will receive a broker/dealer quote for those securities priced by vendors as further evaluation of market price. Management believes this additional step ensures we are reporting the most representative price.

When management deems it necessary to challenge a quote from either a pricing vendor or broker/dealer by using additional estimates to augment those external prices, management will review these assumptions and to the extent those estimates are determined to not contain sufficient observable market information, management will reclassify the affected security valuations to Level 3.

(12) **TRANSFERABLE STATE TAX CREDITS**

The Company had $1,951 and $155,000 of unused transferable state tax credits available with a carrying value, gross of any related tax liability, of $0 and $135,625 with the state of Colorado at December 31, 2008 and 2007, respectively.

The Company estimated the utilization of the remaining transferable state tax credits by projecting future premium, taking into account policy growth and rate changes, projecting the future tax liability based on projected premium, tax rates, and tax credits, and comparing the projected future tax liability to the availability of remaining transferable state tax credits.

The Company did not recognize any impairment write-downs for its state transferable tax credits during the statement periods

(13) SUBSEQUENT EVENTS

The Company received a $31,000,000 capital contribution from PCH on January 26, 2009.

Effective January 1, 2009, the Company terminated its management agreement with Progressive Specialty Insurance Agency, Inc., a non-insurance affiliate (see Note 4).

PRICEWATERHOUSECOOPERS

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Report of Independent Auditors on Accompanying Information

To The Board of Directors,
United Financial Casualty Company:

The report on our audit of the basic statutory basis financial statements (the "financial statements") of United Financial Casualty Company (the "Company") as of December 31, 2008 and for the year then ended is presented in the accompanying financial statements of this document. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules listed in the index of this document of the Company as of December 31, 2008 and for the year then ended are presented for purposes of additional analysis and are not a required part of the financial statements. The effects on the supplemental schedules listed in the attached index of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. As a consequence, the supplemental schedules listed in the attached index do not present fairly, in conformity with accounting principles generally accepted in the United States of America, such information of the Company as of December 31, 2008 and for the year then ended. The supplemental schedules listed in the attached index have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

PricewaterhouseCoopers LLP

May 18, 2009

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	351,787,633	24.7	351,787,633	24.9
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies		0.0		0.0
1.22 Issued by U.S. government sponsored agencies		0.0		0.0
1.3 Foreign government (including Canada, excluding mortgage-backed securities)		0.0		0.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	81,426,015	5.7	81,426,015	5.8
1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations	886,348	0.1	886,348	0.1
1.43 Revenue and assessment obligations	339,895,212	23.9	339,895,212	24.0
1.44 Industrial development and similar obligations		0.0		0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA		0.0		0.0
1.512 Issued or guaranteed by FNMA and FHLMC		0.0		0.0
1.513 All other		0.0		0.0
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	144,495	0.0	144,495	0.0
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521	303,473	0.0	303,473	0.0
1.523 All other	277,786,181	19.5	277,786,181	19.6
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	233,114,879	16.4	233,114,879	16.5
2.2 Unaffiliated foreign securities		0.0		0.0
2.3 Affiliated securities		0.0		0.0
3. Equity interests:				
3.1 Investments in mutual funds		0.0		0.0
3.2 Preferred stocks:				
3.21 Affiliated		0.0		0.0
3.22 Unaffiliated	70,421,200	4.9	70,421,200	5.0
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.0		0.0
3.32 Unaffiliated	57,668,242	4.1	57,668,242	4.1
3.4 Other equity securities:				
3.41 Affiliated	8,370,541	0.6		0.0
3.42 Unaffiliated		0.0		0.0
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.0		0.0
3.52 Unaffiliated		0.0		0.0
4. Mortgage loans:				
4.1 Construction and land development		0.0		0.0
4.2 Agricultural		0.0		0.0
4.3 Single family residential properties		0.0		0.0
4.4 Multifamily residential properties		0.0		0.0
4.5 Commercial loans		0.0		0.0
4.6 Mezzanine real estate loans		0.0		0.0
5. Real estate investments:				
5.1 Property occupied by company		0.0		0.0
5.2 Property held for production of income (including $.........0 of property acquired in satisfaction of debt)		0.0		0.0
5.3 Property held for sale (including $.........0 property acquired in satisfaction of debt)		0.0		0.0
6. Contract loans		0.0		0.0
7. Receivables for securities	141	0.0	141	0.0
8. Cash, cash equivalents and short-term investments	1,643,564	0.1	1,643,564	0.1
9. Other invested assets		0.0		0.0
10. Total invested assets	1,423,447,924	100.0	1,415,077,383	100.0

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SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For the year ended December 31, 2008

(To be filed by April 1)

Of UNITED FINANCIAL CASUALTY COMPANY

Address (City, State, Zip Code): CLEVELAND OH 44143-2182

NAIC Group Code.....155 NAIC Company Code.....11770 Employer's ID Number.....36-3298008

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $...........1,783,051,741

2. Ten largest exposures to a single issuer/borrower/investment.

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	NEW YORK NY CITY FIN	BONDS	$................40,595,090	2.277 %
2.02	NEW JERSEY ST	BONDS	$................31,576,835	1.771 %
2.03	WACHOVIA CAPITAL TRUST I	PREFERRED STOCKS	$................30,237,500	1.696 %
2.04	STARBUCKS CORP	BONDS	$................29,945,890	1.679 %
2.05	SOUTH DAKOTA HSG DEV	BONDS	$................29,692,438	1.665 %
2.06	OREGON ST HSG & CMNTY	BONDS	$................27,952,305	1.568 %
2.07	CITEC 2008-VT1 A2A	BONDS	$................26,999,292	1.514 %
2.08	MONTANA ST BRD HSG	BONDS	$................21,129,653	1.185 %
2.09	MCCORMICK & CO INC	BONDS	$................19,992,333	1.121 %
2.10	VERMONT HSG FIN SF	BONDS	$................18,639,884	1.045 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

	Bonds	1	2
3.01	NAIC-1	$...........1,166,035,565	65.395 %
3.02	NAIC-2	$.............117,861,231	6.610 %
3.03	NAIC-3	$.................3,091,000	0.173 %
3.04	NAIC-4	$	0.000 %
3.05	NAIC-5	$	0.000 %
3.06	NAIC-6	$	0.000 %
	Preferred Stocks	3	4
3.07	P/RP-1	$.................5,500,000	0.308 %
3.08	P/RP-2	$................42,502,430	2.384 %
3.09	P/RP-3	$................12,069,750	0.677 %
3.10	P/RP-4	$................10,349,020	0.580 %
3.11	P/RP-5	$	0.000 %
3.12	P/RP-6	$	0.000 %

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 4.01 above is yes, responses are not required for interrogatories 5-10.

4.02	Total admitted assets held in foreign investments	$................16,893,893	0.947 %
4.03	Foreign-currency-denominated investments	$	0.000 %
4.04	Insurance liabilities denominated in that same foreign currency	$	0.000 %

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:

		1	2
5.01	Countries rated NAIC-1	$	0.000 %
5.02	Countries rated NAIC-2	$	0.000 %
5.03	Countries rated NAIC-3 or below	$	0.000 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign rating:

		1	2
	Countries rated NAIC-1:		
6.01	Country 1:	$	0.000 %
6.02	Country 2:	$	0.000 %
	Countries rated NAIC-2:		
6.03	Country 1:	$	0.000 %
6.04	Country 2:	$	0.000 %
	Countries rated NAIC-3 or below:		
6.05	Country 1:	$	0.000 %
6.06	Country 2:	$	0.000 %

		1	2
7.	Aggregate unhedged foreign currency exposure:	$	0.000 %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign rating:

		1	2
8.01	Countries rated NAIC-1	$	0.000 %
8.02	Countries rated NAIC-2	$	0.000 %
8.03	Countries rated NAIC-3 or below	$	0.000 %

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign rating:

		1	2
	Countries rated NAIC-1:		
9.01	Country 1:	$	0.000 %
9.02	Country 2:	$	0.000 %
	Countries rated NAIC-2:		
9.03	Country 1:	$	0.000 %
9.04	Country 2:	$	0.000 %
	Countries rated NAIC-3 or below:		
9.05	Country 1:	$	0.000 %
9.06	Country 2:	$	0.000 %

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	1 Issuer	2 NAIC Rating	3	4
10.01			$	0.000 %
10.02			$	0.000 %
10.03			$	0.000 %
10.04			$	0.000 %
10.05			$	0.000 %
10.06			$	0.000 %
10.07			$	0.000 %
10.08			$	0.000 %
10.09			$	0.000 %
10.10			$	0.000 %

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

11.02	Total admitted assets held in Canadian Investments	$	0.000 %
11.03	Canadian currency-denominated investments	$	0.000 %
11.04	Canadian-denominated insurance liabilities	$	0.000 %
11.05	Unhedged Canadian currency exposure	$	0.000 %

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

	1	2	3
12.02	Aggregate statement value of investments with contractual sales restrictions:	$	0.000 %
	Largest three investments with contractual sales restrictions:		
12.03		$	0.000 %
12.04		$	0.000 %
12.05		$	0.000 %

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

	1 Name of Issuer	2	3
13.02	WACHOVIA CAPITAL TRUST I	$30,237,500	1.696 %
13.03	WHITE MOUNTAINS RE GROUP	$10,349,020	0.580 %
13.04	NEWS CORP FINANCE TRUST	$9,819,750	0.551 %
13.05	PNC FINANCIAL SERVICES GROUP	$6,661,300	0.374 %
13.06	SUNTRUST PREFERRED CAP I	$6,480,000	0.363 %
13.07	INTEL CORP	$6,010,600	0.337 %
13.08	PEPSICO INC	$5,996,220	0.336 %
13.09	BBVA INTL PREF UNIPERSON	$5,784,930	0.324 %
13.10	GOOGLE INC-CL A	$5,408,487	0.303 %
13.11	BANK OF AMERICA	$4,389,965	0.246 %

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [ ]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

1	2	3
14.02 Aggregate statement value of investments held in nonaffiliated, privately placed equities:	$	0.000 %
Largest three investments held in nonaffiliated, privately placed equities:		
14.03	$	0.000 %
14.04	$	0.000 %
14.05	$	0.000 %

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [ ]

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

1	2	3
15.02 Aggregate statement value of investments held in general partnership interests:	$	0.000 %
Largest three investments in general partnership interests:		
15.03	$	0.000 %
15.04	$	0.000 %
15.05	$	0.000 %

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

1 Type (Residential, Commercial, Agricultural)	2	3
16.02	$	0.000 %
16.03	$	0.000 %
16.04	$	0.000 %
16.05	$	0.000 %
16.06	$	0.000 %
16.07	$	0.000 %
16.08	$	0.000 %
16.09	$	0.000 %
16.10	$	0.000 %
16.11	$	0.000 %

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

	Loans	
16.12 Construction loans	$	0.000 %
16.13 Mortgage loans over 90 days past due	$	0.000 %
16.14 Mortgage loans in the process of foreclosure	$	0.000 %
16.15 Mortgage loans foreclosed	$	0.000 %
16.16 Restructured mortgage loans	$	0.000 %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

Loan-to-Value	Residential		Commercial		Agricultural	
	1	2	3	4	5	6
17.01 above 95%	$	0.000 %	$	0.000 %	$	0.000 %
17.02 91% to 95%	$	0.000 %	$	0.000 %	$	0.000 %
17.03 81% to 90%	$	0.000 %	$	0.000 %	$	0.000 %
17.04 71% to 80%	$	0.000 %	$	0.000 %	$	0.000 %
17.05 below 70%	$	0.000 %	$	0.000 %	$	0.000 %

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate.

Description	2	3
18.02	$	0.000 %
18.03	$	0.000 %
18.04	$	0.000 %
18.05	$	0.000 %
18.06	$	0.000 %

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans.

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's admitted assets? Yes [ ] No [ ]

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

1	2	3
19.02 Aggregate statement value of investments held in mezzanine real estate loans:	$	0.000 %
Largest three investments held in mezzanine real estate loans.		
19.03	$	0.000 %
19.04	$	0.000 %
19.05	$	0.000 %

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	$	0.000 %	$	$	$
20.02 Repurchase agreements	$	0.000 %	$	$	$
20.03 Reverse repurchase agreements	$	0.000 %	$	$	$
20.04 Dollar repurchase agreements	$	0.000 %	$	$	$
20.05 Dollar reverse repurchase agreements	$	0.000 %	$	$	$

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps and floors:

	Owned		Written	
	1	2	3	4
21.01 Hedging	$	0.000 %	$	0.000 %
21.02 Income generation	$	0.000 %	$	0.000 %
21.03 Other	$	0.000 %	$	0.000 %

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
22.01 Hedging	$	0.000 %	$	$	$
22.02 Income generation	$	0.000 %	$	$	$
22.03 Replications	$	0.000 %	$	$	$
22.04 Other	$	0.000 %	$	$	$

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
23.01 Hedging	$	0.000 %	$	$	$
23.02 Income generation	$	0.000 %	$	$	$
23.03 Replications	$	0.000 %	$	$	$
23.04 Other	$	0.000 %	$	$	$

UNITED FINANCIAL CASUALTY COMPANY
SUPPLEMENTAL SCHEDULE OF REINSURANCE DISCLOSURES

1. Disclose any risks reinsured under a quota share reinsurance contract, entered into, renewed or amended on or after January 1, 1994, with any other entity that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g. a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions). If yes, indicate the number of reinsurance contracts containing such provisions and if the amount of reinsurance credit taken reflects the reduction in quota share coverage caused by any applicable limiting provision(s).

   Interrogatories 7.1-7.3 as answered in the 2008 Annual Statement:

   7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [ ] No [X]

   7.2 If yes, indicate the number of reinsurance contracts containing such provisions. --------------------------------

   7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [ ] No [ ]

2. Disclose if the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), entered into, renewed or amended on or after January 1, 1994, for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features that would have similar results:

   (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
   (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
   (c) Aggregate stop loss reinsurance coverage;
   (d) An unconditional or unilateral right by either party to commute the reinsurance contract, except for such provisions which are only triggered by a decline in the credit status of the other party;
   (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
   (f) Payment schedules, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entit

   Interrogatory 9.1 as answered in the 2008 Annual Statement:

   9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
   (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
   (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
   (c) Aggregate stop loss reinsurance coverage;
   (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
   (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
   (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity? Yes [ ] No [X]

3. Disclose if the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), entered into, renewed or amended on or after January 1, 1994, excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member, where:

   (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium writte by the reinsurer based on its most recently available financial statement; or
   (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates.

   Interrogatory 9.2 as answered in the 2008 Annual Statement:

   9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
   (a) The written premium ceded to the reinsurer by the reporting entity or its affiliate represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
   (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract? Yes [ ] No [X]

4. If affirmative disclosure is required for items 2 or 3 above, provide the following information for each reinsurance contract entered into, renewed or amended on or after January 1, 1994:

   (a) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting items 2 or 3;
   (b) A brief discussion of management's principal objectives in entering into the reinsurance contract including the economic purposes to be achieved; and
   (c) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income.

   Interrogatory 9.3 as answered in the 2008 Annual Statement:

   9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
   (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
   (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
   (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.

5. Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62 - Property and Casualty Reinsurance, disclose if the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates), entered into, renewed or amended on or after January 1, 1994, during the period covered by the financial statement, and either:

   (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principals ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or

   (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP.

   Interrogatory 9.4 as answered in the 2008 Annual Statement:

   9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:

   (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or

   (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [X]

6. If affirmative disclosure is required for item 5 above, explain why the contract(s) is (are) treated differently for GAAP and SAP.

   Interrogatory 9.5 as answered in the 2008 Annual Statement:

   9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.

   Interrogatory 9.6 as answered in the 2008 Annual Statement:

   9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:

   (a) The entity does not utilize reinsurance; or Yes [ ] No [X]

   (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [X]

   (c) the entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [ ] No [X]

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
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Telephone (216) 875 3000
Facsimile (216) 566 7846

May 18, 2009

To The Board of Directors,
United Financial Casualty Company:

In planning and performing our audit of the statutory-basis financial statements of United Financial Casualty Company as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the statutory-basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Additionally, this report is being prepared consistent with the guidance in the NAIC/AICPA Working Group letter to regulators on the interpretation of Section 11 of the NAIC Model Audit Rule dated March 9, 2005. However, as discussed below, we identified a certain deficiency in the internal control that we consider to be a significant deficiency as of December 31, 2008.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency to be a significant deficiency in internal control as of December 31, 2008.

During our audit, we noted the following matter involving internal control and its operation that we consider to be a significant deficiency (as defined above) as of December 31, 2008. However, the reportable condition described below is not believed to be a material weakness.

During the year, the Company identified certain uncashed claims drafts to be issued in error. The Company is currently in the process of remediating this issue through review of aged drafts, establishment of improved draft controls, and has recorded adjustments to drafts outstanding and loss reserve expense in accordance with Statement of Statutory Accounting Principle No. 2 "Cash, Drafts, and Short-term Investments".

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above as of December 31, 2008.

This communication is intended solely for the information and use of the Audit Committee, Board of Directors, management, others within the organization, and state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

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The Company's written response to the significant deficiency identified in our audit has not been subjected to the auditing procedures applies in the audit of the financial statements and, accordingly, we express no opinion on it.

Very truly yours,

PricewaterhouseCoopers LLP

PRICEWATERHOUSECOOPERS

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May 18, 2009

To the Board of Directors of United Financial Casualty Company:

We have audited, in accordance with generally accepted auditing standards, the statutory basis financial statements of United Financial Casualty Company (the "Company") for the years ended December 31, 2008 and 2007, and have issued our report thereon dated May 18, 2009. In connection therewith, we advise you as follows:

a. We are independent certified public accountants with respect to the Company and conform to the standards of the accounting profession as contained in the Code of Professional Conduct and pronouncements of the American Institute of Certified Public Accountants, and the Rules of Professional Conduct of the Ohio Board of Public Accountancy.

b. The engagement partner and engagement manager, who are certified public accountants, have 18 years and 12 years, respectively, of experience in public accounting and are experienced in auditing insurance enterprises. Members of the engagement team, most of whom have had experience in auditing insurance enterprises and 38 percent of whom are certified public accountants, were assigned to perform tasks commensurate with their training and experience.

c. We understand that the Company intends to file its audited statutory basis financial statements and our reports thereon with the Ohio Department of Insurance and other state insurance departments in states in which the Company is licensed and that the insurance commissioners of those states will be relying on that information in monitoring and regulating the statutory financial condition of the Company.

While we understand that an objective of issuing a report on the statutory basis financial statements is to satisfy regulatory requirements, our audit was not planned to satisfy all objectives or responsibilities of insurance regulators. In this context, the Company and insurance commissioners should understand that the objective of an audit of statutory basis financial statements in accordance with generally accepted auditing standards is to form an opinion and issue a report on whether the statutory basis financial statements present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus, results of operations and cash flow in conformity with accounting practices prescribed or permitted by the Ohio Department of Insurance. Consequently, under generally accepted auditing standards, we have the responsibility, within the inherent limitations of the auditing process, to plan and perform our audit to obtain reasonable assurance about whether the statutory basis financial statements are free of material misstatement, whether caused by error or fraud, and to exercise due professional care in the conduct of the audit. The concept of selective testing of the data being audited, which involves judgment both as to the number of transactions to be audited and the areas to be tested, has been generally accepted as a valid and sufficient basis for an auditor to express an opinion on financial statements. Audit procedures that are effective for detecting errors, if they exist, may be ineffective for detecting misstatements resulting from fraud. Because of the characteristics of fraud, particularly those involving concealment and falsified documentation (including forgery), a properly planned and performed audit may not detect a material misstatement resulting from fraud. In addition, an audit does not address the possibility that material errors or misstatements caused by fraud may occur in the future. Also, our use of professional judgment and the assessment of materiality for the purpose of our audit means that matters may exist that would have been assessed differently by insurance commissioners.

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It is the responsibility of the management of the Company to adopt sound accounting policies, to maintain an adequate and effective system of accounts, and to establish and maintain internal control that will, among other things, provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting practices prescribed or permitted by the Ohio Department of Insurance.

The Insurance Commissioner should exercise due diligence to obtain whatever other information that may be necessary for the purpose of monitoring and regulating the statutory financial position of insurers and should not rely solely upon the independent auditor's report.

d. We will retain the workpapers prepared in the conduct of our audit until the Ohio Department of Insurance has filed a Report of Examination covering 2008, but not longer than seven years. After notification to the Company we will make the workpapers available for review by the Ohio Department of Insurance at the offices of the insurer, at our offices, at the Department of Insurance or at any other reasonable place designated by the Insurance Commissioner. Furthermore, in the conduct of the aforementioned periodic review by the Ohio Department of Insurance, photocopies of pertinent audit workpapers may be made (under the control of the accountant) and such copies may be retained by the Ohio Department of Insurance.

e. The engagement partner has served in that capacity with respect to the Company since 2004, is licensed by the Board of Public Accountancy, and is a member in good standing of the American Institute of Certified Public Accountants.

f. To the best of our knowledge and belief, we are in compliance with the requirements of Section 7 of the NAIC's *Model Rule (Regulation) Requiring Annual Audited Financial Reports* regarding qualifications of independent certified public accountants.

This letter is intended solely for the information and use of the board of directors and management of the Company and the Ohio Department of Insurance and other state insurance departments and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP